CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 1, 1998

H.R. 3783

Child Online Protection Act

As ordered reported by the House Committee on Commerce on September 24, 1998

SUMMARY

H.R. 3783 would amend the Communications Act of 1934 to require persons engaged in interstate or foreign commerce in the distribution of material that is harmful to minors in or through the World Wide Web to restrict access to such Internet material by persons under 17 years old. The bill would impose civil and criminal penalties on persons who violate this requirement and would establish a commission to study ways of reducing access by children to harmful materials on the Internet.

CBO estimates that implementing this bill would cost about $1 million in 1999, assuming appropriation of the necessary amounts. Because the bill would establish new criminal penalties and thus could affect receipts, pay-as-you-go procedures would apply, but CBO estimates that any changes in receipts would be less than $500,000 a year.

H.R. 3783 would impose both intergovernmental and private-sector mandates, as defined by the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs of the mandates would fall well below the thresholds established in UMRA. (The thresholds are $50 million for intergovernmental mandates and $100 million for private sector mandates, adjusted annually for inflation after 1996.)

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Under H.R. 3783, CBO expects that the Federal Communications Commission (FCC) would issue a regulation to prescribe procedures to be used to restrict access to Internet material that is considered harmful to minors. Based on information from the FCC, we estimate that this regulation would cost less than $500,000 to promulgate. That spending would be subject to appropriation of the necessary amounts, but under current law the FCC is authorized to collect fees from the telecommunications industry sufficient to offset the cost of its regulatory program. Therefore, CBO estimates that this provision would have no net cost to the government.

The bill also would amend the Communications Act of 1934 to impose criminal and civil penalties on any person who violates the requirement to restrict access to material that is harmful to minors. Enacting H.R. 3783 could increase governmental receipts from the collection of fines, but CBO estimates that any such increase would be less than $500,000 annually. Criminal fines are deposited in the Crime Victims Fund and are spent in the following year. Thus, any change in direct spending from the fund would also amount to less than $500,000 annually.

Finally, the bill would establish a one-year commission to study ways to reduce access by minors to harmful material on the Internet. Based on information from the National Telecommunications and Information Administration and the experience of similar commissions, CBO estimates that implementing this provision would cost about $1 million in 1999, subject to appropriation of the necessary amount.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that any increases in governmental receipts and direct spending would each total less than $500,000 a year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3783 would impose both intergovernmental and private-sector mandates, as defined in UMRA. CBO estimates that the costs of the mandates imposed on providers of interactive computer services, including public educational institutions and perhaps some libraries, and on commercial interstate and foreign distributors of "material that is harmful to minors" would be small and would fall well below the thresholds established in UMRA.

Section 5 would require that providers of interactive computer services (most of which are private) notify customers that parental control protections are commercially available. According to information from representatives of private-sector Internet providers and their trade association, most providers currently supply the required information to their customers, and some also offer software or filtering services. Furthermore, the cost to those public and private providers that may not currently supply this information would be minimal. Because some public colleges, universities, and perhaps some public libraries offer Internet access, this requirement would impose an intergovernmental mandate on those entities. Based on information from the National Association of State Colleges and Land Grant Universities and the Public Library Association, CBO estimates that the cost of complying with this requirement would be minimal since it would not require significant alteration in most of the agreements currently used.

Section 3 would also impose a private-sector mandate on commercial interstate and foreign distributors who knowingly cause or solicit "material that is harmful to minors" to be posted on the World Wide Web. This section would require that those distributors restrict access to minors of such material. The use of a credit card, debit account, adult access code, adult personal identification number, or any other feasible measures would constitute compliance. Based on information from representatives of the industry, commercial adult-content Web sites currently require the use a credit card or some type of age verification for membership or subscription payment. Thus, CBO estimates that those commercial interstate and foreign distributors would not incur any additional costs.

PREVIOUS CBO ESTIMATE

On March 30, 1998, CBO transmitted an estimate of S. 1482, a bill to amend section 223 of the Communications Act of 1934 to establish a prohibition on commercial distribution on the World Wide Web of material that is harmful to minors, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on March 12, 1998. That bill would not establish a new commission (as H.R. 3783 would); therefore, CBO estimated that S. 1482 would have no significant net effect on the federal budget.

ESTIMATE PREPARED BY:

Federal Costs: Mark Hadley
Federal Revenues: Hester Grippando
Impact on the Private Sector: Jean Wooster

ESTIMATE APPROVED BY:

Paul N. Van de Water
Assistant Director for Budget Analysis